

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 AGRE-00 AID-05 EB-08 TRSE-00 COME-00

L-03 CIAE-00 INR-10 NSAE-00 /037 W

-----059385 201013Z /10

R 200649Z MAR 78

FM AMEMBASSY DACCA

TO SECSTATE WASHDC 8534

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PASS USDA; PASS AID/ASIA/BIS

E.O. 11652: N/A

TAGS: EAID, EAGR, BG, US

SUBJ: BANGLADESH PURCHASES OF U.S. COTTON, FY 1978

REFS: (A) STATE 61151; (B) DACCA 1649; (C) DACCA 1646

1. SUMMARY. BANGLADESH TEXTILE MILLS CORPORATION (BTMC) HAS INFORMED US THAT IT HAS MADE COMMERCIAL PURCHASES OF 51,000 BALES OF U.S. COTTON IN FY 1978 THUS FAR, AND IS LIKELY TO PURCHASE 20,000 MORE BEFORE JUNE 30 IN ADDITION TO 35,000 BALES UNDER PL-480 AGREEMENT. IT HOPES TO PURCHASE COMMERCIALY 50,000 ADDITIONAL BALES WHICH WILL PROBABLY COME FROM U.S. BETWEEN JULY-DECEMBER 1978. ALL COMMERCIAL PURCHASES FROM U.S. ARE EXPECTED TO BE MADE UNDER IDA CREDIT. END SUMMARY.

2. BTMC PROVIDED THIS INFORMATION IN CONNECTION WITH OUR EXPRESSIONS OF CONCERN THAT BANGLADESH'S RECENT AGREEMENT TO PURCHASE 28,000 BALES OF COTTON FROM PAKISTAN ON CASH TERMS AND AN ADDITIONAL 22,000 BALES IF CREDIT CAN BE ARRANGED (REFTELS). THIS AGREEMENT APPEARS TO BE INCONSISTENT WITH UNDERTAKINGS IN PL-480 TITLE I AGREEMENT DATED JANUARY 13, 1978, TO AFFORD U.S. SUPPLIERS

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OPPORTUNITY TO COMPETE FOR INTERNATIONAL TENDERS AND TO ESTABLISH A TIED UMR IF COTTON IS TO BE PURCHASED WITH FREE FOREIGN EXCHANGE. WE HAVE NOT YET RECEIVED FORMAL REPLY TO USAID DIRECTOR'S MARCH 16 LETTER TO BDG PLANNING SECRETARY REQUESTING CLARIFICATION OF PAKISTANI COTTON PURCHASE AND OTHER QUESTIONS CONCERNING COMPLIANCE WITH PL-480 TITLE I AGREEMENT (REF C).

3. BTMC'S DATA ON COMMERCIAL PROCUREMENT OF U.S. COTTON
FOR FY 1978 FOLLOWS:

PROCUREMENT DATE	QTY (BALES)	SUPPLIER
11/17/77	6,000	U.S. COMMODITY CORP.
1/17/78	15,000	HOHENBERG BROS.
1/21/78	5,000	COOK INDUSTRIES
2/1/78	10,000	U.S. COMMODITY CORP.
3/78#	15,000	HOHENBERG PROS.

CONTRACT SIGNED BUT L/C NOT YET OPENED. (ALL OF THE
ABOVE WAS PURCHASED VIA IDA-FINANCED INTERNATIONAL
TENDERS.)

4. IN ADDITION, BTMC PURCHASED 10,000 BALES OF PAKIS-
TANI COTTON UNDER IDA CREDIT FROM HOHENBERG BROS. OF
U.S. ON 2/1/78. THIS COTTON IS NOT, REPEAT NOT PART
OF THE 50,000-BALE AGREEMENT MENTIONED IN PARA 1
ABOVE AND REFEELS.

5. BTMC WILL ALSO ISSUE TENDERS BEFORE APRIL 30, 1978
FOR APPROXIMATELY 20,000 ADDITIONAL BALES USING RE-
MAINING \$6.5 MILLION BALANCE OF 6TH IDA CREDIT WHICH
HAS BEEN ALLOCATED FOR COTTON. IN THE PAST VIRTUALLY
ALL COTTON PURCHASED UNDER IDA CREDITS HAS BEEN FROM
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U.S. SOURCES. BTMC IS CONFIDENT THAT TENDERS FOR
THIS 20,000 BALES WILL ALSO BE WON BY U.S. SUPPLIERS.

6. BASED ON ABOVE FIGURES AND ESTIMATES, BTMC EXPECTS
TO HAVE PURCHASED ROUGHLY 71,000 BALES FROM U.S. BE-
TWEEN JULY 1977 AND JUNE 1978, IN ADDITION TO 35,000
BALES UNDER PL-480 TITLE I AGREEMENT AND COTTONPRO-
CURED ELSEWHERE.

7. AFTER JUNE 30, 1978, BTMC EXPECTS THAT \$16.5
MILLION WILL BE AVAILABLE UNDER A NEW IDA CREDIT FOR
PROCUREMENT OF COTTON BETWEEN JULY-DECEMBER 1978.
BTMC BELIEVES, BASED ON PAST CONTRACTS AWARDED UNDER
IDA-FINANCED TENDERS, THAT VIRTUALLY THE ENTIRE
AMOUNT PROCURED UNDER THIS CREDIT WILL BE FROM U.S.
SOURCES. AT CURRENT PRICES, THIS COULD MEAN PUR-
CHASES OF ROUGHLY 50,000 ADDITIONAL BALES FROM U.S.
DURING JULY-DECEMBER 1978.

8. COMMENT: WASHINGTON AGENCIES WILL RECALL THAT A
REQUIREMENT FOR AN 85,000-BALE TIED UMR IN THE DRAFT
FY 1978 PL-480 AGREEMENT WAS DELETED AT BDG'S REQUEST

ON THE GROUNDS THAT IDA CREDITS, WHICH FINANCE MOST
BTMC PURCHASES, REQUIRE INTERNATIONAL TENDERS AND THAT
BULK OF IDA-FINANCED PURCHASES WERE LIKELY TO COME
FROM U.S. SOURCES IN ANY CASE. TOTAL OF BANGLADESH
PURCHASES DURING U.S. FISCAL YEAR 1978 CANNOT YET BE
ACCURATELY ESTIMATED. BUT IF BTMC'S PROJECTIONS ARE
RELIABLE, FIGURE COULD APPROXIMATE 85,000 BALES.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: COTTON, TRADE AGREEMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 20 mar 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978DACCA01706
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780122-0371
Format: TEL
From: DACCA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780348/aaaabosl.tel
Line Count: 124
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 9253f2c3-c288-dd11-92da-001cc4696bcc
Office: ACTION NEA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 78 STATE 61151, 78 DACCA 1649, 78 DACCA 1646
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3272217
Secure: OPEN
Status: NATIVE
Subject: BANGLADESH PURCHASES OF U.S. COTTON, FY 1978
TAGS: EAID, EAGR, BG, US
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/9253f2c3-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014